



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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June 14, 2007

TO: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley *thm*  
Auditor-Controller

SUBJECT: **UAW - LABOR EMPLOYMENT AND TRAINING CORPORATION  
CONTRACT - WORKFORCE INVESTMENT ACT ADULT SPECIAL  
NEEDS PROGRAM**

We have conducted a program, fiscal and administrative contract review of UAW - Labor Employment and Training Corporation (UAW-LETC or Agency), a Workforce Investment Act Program (WIA) provider.

**Background**

The Department of Community and Senior Services (DCSS) contracts with UAW-LETC, a non-profit public benefit corporation to provide and operate the WIA Adult Special Needs Program. The WIA Adult Special Needs Program is a comprehensive training and employment program to assist low income adults with multiple barriers including substantial language, cultural, offenders, homeless individuals and/or other hard-to-serve populations, as defined by the Governor, to obtain employment, retain their jobs and increase their earnings. The types of services provided by UAW-LETC include career planning, occupational skills training and job placement. UAW-LETC is located in the First and Second Districts.

UAW-LETC is compensated on a cost reimbursement basis. UAW-LETC's contract was for \$75,328 for Fiscal Year 2005-06.

*"To Enrich Lives Through Effective and Caring Service"*

### **Purpose/Methodology**

The purpose of the review was to determine whether UAW-LETC complied with its contract terms and appropriately accounted for and spent WIA funds in providing services to eligible participants. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

### **Results of Review**

UAW-LETC' expenditures were allowable, properly documented and accurately billed to DCSS as required. UAW-LETC also maintained adequate controls to ensure revenue was properly recorded and deposited. In addition, the Agency appropriately allocated overhead costs to the WIA program.

However, UAW-LETC:

- Did not maintain sufficient documentation to support the eligibility for two (29%) of the seven program participants that received program services.
- Did not maintain an appropriate procedural manual for administering the WIA Adult Special Needs program or a procurement policies and procedures manual in compliance with WIA guidelines.
- Did not perform a fair market assessment for their leased facility. WIA guidelines require that a cost or price analysis be performed to determine the reasonableness of the lease payments.
- Did not account for all business checks on a regular basis as required.

Details of our review along with recommendations for corrective action are attached.

### **Review of Report**

We discussed our report with UAW-LETC on April 24, 2007. In their attached response, UAW-LETC indicated that they implemented the appropriate safeguards to account for all business checks. However, UAW-LETC did not provide documentation or a schedule of the dates that the files and records were reviewed.

UAW-LETC also indicated that the relocation of the WIA program to its current facility was recommended by DCSS as a cost saving measure and to enhance DCSS' service delivery. As such, the Agency believed that the fair market assessment was not required. According to DCSS, although the move was encouraged, the Agency still needed to comply with regulatory requirements of conducting a fair market assessment

and documenting the reasons for selecting the leased facility. In addition, UAW-LETC also indicated that the selected performance reviews were made available for our review. However, as of our exit meeting with the Agency on April 24, 2007, UAW-LETC did not provide the requested performance reviews.

We notified DCSS of the results of our review. We will follow up our recommendations during next year's monitoring review. We thank UAW-LETC for their cooperation and assistance during this review.

Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: David E. Janssen, Chief Administrative Officer  
Cynthia Banks, Director, Department of Community and Senior Services  
Robert Nelson, President and Chief Executive Officer, UAW-LETC  
Public Information Office  
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM  
UAW - LABOR EMPLOYMENT AND TRAINING CORPORATION  
FISCAL YEAR 2005-06**

**ELIGIBILITY**

**Objective**

Determine whether UAW - Labor Employment and Training Corporation (UAW-LETC or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

**Verification**

We reviewed the case files for all seven (100%) program participants that received services between July 2005 and June 2006 for documentation to confirm their eligibility for WIA program services.

**Results**

UAW-LETC did not maintain sufficient documentation to support the eligibility for two (29%) of the seven program participants that received program services. Specifically, UAW-LETC did not obtain proof of income and/or documentation to support the participants' barrier to employment as required.

Subsequent to our review, UAW-LETC provided additional documentation to support the eligibility of the two participants.

**Recommendation**

- 1. UAW-LETC management ensure that staff obtain appropriate documentation from the participants to determine the participants' eligibility for program services prior to enrollment as required.**

**BILLED SERVICES/CLIENT VERIFICATION**

**Objective**

Determine whether UAW-LETC provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the program participants received the billed services.

**Verification**

We reviewed the documentation contained in the case files for all seven program participants that received services during July 2005 through June 2006. We also interviewed six program participants.

**Results**

The six program participants interviewed confirmed that the services they received met their expectations. In addition, the case files for all seven participants contained documentation to support the services billed to DCSS.

**Recommendation**

**There are no recommendations for this section.**

**CASH/REVENUE****Objective**

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

**Verification**

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's April 2006 bank reconciliation.

**Results**

Generally, UAW-LETC maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner. However, UAW-LETC did not account for all business checks on a regular basis as required.

**Recommendation**

- 2. UAW-LETC management perform a physical inventory of all checks on a regular basis and file checks in numerical order to ensure that all checks are accounted for.**

**EXPENDITURES/PROCUREMENT****Objective**

Determine whether the program related expenditures are allowable under the County contract, properly documented and accurately billed.

**Verification**

We interviewed Agency personnel, reviewed financial records and reviewed other documentation to support 14 (78%) of the 18 non-payroll expenditure transactions billed by the Agency for July and September 2005, totaling \$2,616.

**Results**

UAW-LETC's expenditures were allowable, properly documented and accurately billed to DCSS as required.

**Recommendation**

**There are no recommendations for this section.**

**INTERNAL CONTROLS/CONTRACT COMPLIANCE****Objective**

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

**Verification**

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

**Results**

Generally, UAW-LETC maintained sufficient internal controls over its business operations. However, UAW-LETC did not always comply with the County contract requirements. Specifically:

- UAW-LETC did not perform fair market assessment for their leased facility. WIA guidelines require that a cost or price analysis be performed to determine the reasonableness of the lease payments.

- UAW-LETC's procurement policies and procedures manual was not in compliance with WIA guidelines. Specifically, UAW-LETC's procurement manual required only one price quote for purchases over \$2,500. However, WIA guidelines require three price quotes be documented for purchases over \$1,000.

Subsequent to our review, UAW-LETC management issued a memo to Agency personnel requiring the documentation of three price quotes for purchases over \$1,000.

### **Recommendations**

#### **UAW-LETC management:**

3. **Ensure that a fair market assessment is performed on the leased property.**
4. **Ensure that Agency personnel comply with the new purchasing requirement.**

### **FIXED ASSETS AND EQUIPMENT**

#### **Objective**

Determine whether UAW-LETC's fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

We did not perform test work in this section as UAW-LETC did not use WIA funds to purchase fixed assets or equipment.

### **PAYROLL AND PERSONNEL**

#### **Objective**

Determine whether payroll expenditures are appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

#### **Verification**

We traced and agreed the payroll expenditures for one employee in September 2005, totaling \$3,772, to the payroll records and time reports. We also interviewed the one employee assigned to the WIA program.

#### **Results**

UAW-LETC appropriately charged payroll expenditures to the WIA program. However, UAW-LETC did not obtain a criminal record clearance for the one employee assigned to the WIA program. UAW-LETC also refused to provide the employee's performance

evaluations requested. According to Agency management, the employee's performance evaluations are strictly kept confidential and as such, would not provide the requested documentation for review. The County contract requires contractors to have available for inspection by any federal, State or County agency upon request all program related records.

**Recommendations****UAW-LETC management:**

5. Ensure that a criminal record clearance is obtained for all individuals who come in contact with program participants.
6. Provide the County with requested performance evaluation documentation.

**COST ALLOCATION PLAN****Objective**

Determine whether UAW-LETC's Cost Allocation Plan was prepared in compliance with the County contract and appropriately applied to program costs.

**Verification**

We reviewed UAW-LETC's Cost Allocation Plan and a sample of expenditures incurred by the Agency in July and September 2005 to ensure that the expenditures were properly allocated to the Agency's programs.

**Results**

UAW-LETC's Cost Allocation Plan was prepared in compliance with the County contract and costs were appropriately allocated.

**Recommendation**

**There are no recommendations for this section.**





offenders" was reviewed/provided by a collaborative partner agency and located in another case-file. During the initial review additional this documentation was provided to support program services for the (2) participants identified during the monitoring visit.

UAW-LETC has revised the referral procedures to ensure that all relevant documentation is obtained in a timely manner.

#### **CASH/REVENUE**

- **Review Result:**

Generally, UAW-LETC maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner. However, UAW-LETC did not perform physical inventory of all checks (Voided, mutilated, and cancelled) on a regular basis or file checks in numerical order to ensure that all checks were accounted for as required.

- **Recommendation:**

UAW-LETC management performs a physical inventory of all checks on a regular basis and file checks in numerical order to ensure that all checks are accounted for.

- **UAW-LETC Response**

That filing of all checks in numerical order so as to ensure that all checks are accounted for is not practical as not all the checks are cleared in a sequential order. A check could be presented by the recipient a couple of months later, and in some cases, the bank may not return certain cancelled checks. Furthermore, the void checks that reported lost are never available for filing. Therefore the attempt to maintain a strict running order of the check numbers is not always possible.

UAW-LETC currently files cancelled checks together with the bank statements, which show the respective check transactions. They are filed in calendar month order. Any cancelled check is easily retrievable once the month in which the check is cleared can be determined. With the timely prepared and independently reviewed bank reconciliation, all cancelled checks are fully accounted for. In addition, UAW-LETC has set up a procedure to record and report void and mutilated checks. Under the procedure, all void and mutilated checks are logged and filed in sequential order. File copies are used in place of those void checks that are reported lost. The record and files are reviewed periodically to ensure that all void and mutilated checks are proper and that all check numbers, including valid and void checks, are fully accounted for.

**We believe that the procedures mentioned above adequately provide necessary safeguards to control the physical inventory of checks.**

**Review Result**

- UAW-LETC did not perform fair market assessment for their leased facility. WIA guidelines require that a cost or price analysis be performed to determine the reasonableness of the leased payments.
- UAW-LETC's procurement policies and procedures manual was not in compliance with WIA guidelines. Specifically, UAW-LETC's procurement manual required only one price quote for purchases over \$2,500.

**Recommendations:**

- **UAW-LETC Management:**

Ensure that a fair market assessment is performed on the leased property.

Ensure that Agency personnel comply with the new purchasing requirement

**UAW-LETC Response**

- UAW-LETC relocated its WIA Adult Special Needs program services offices of the Los Angeles County funded Hub Cities Consortium WorkSource Center. This relocation strategy was recommended by LA County Department of Community and Senior Services staff to all Special Needs Program operators. This action was suggested (by SCS management staff) both as a cost savings measure, but importantly as a strategy to enhance comprehensiveness of the DCS service delivery system, by encouraging the co-enrollment of participants and therefore, the leveraging of WIA program resources.

Therefore, it was determined that since this is was an action supported and encouraged by LA County DCS, the price analysis and cost reasonableness is implied. We maintain this position.

- As noted in the Review Report, UAW-LETC has adopted the guideline of requiring three price quotes for purchases over \$1,000 under LA County WIA programs.

## PAYROLL AND PERSONNEL

### Review Result

- UAW-LETC appropriately charged payroll expenses to the WIA program. However, UAW-LETC did not obtain a criminal record clearance the one employee assigned to the WIA program. UAW-LETC also refused to provide the employee's performance evaluations requested. According to Agency management, the employee's performance evaluations are strictly kept confidential and as such, would not provided the requested documentation for review. The county contract requires contractors to have available for inspection and audit by any federal, State or County agency upon request all program related records, reports, participant files and other documentation requested by the County for three years from the termination date of this contract

### Recommendations:

- Ensure that a criminal record clearance is obtained for all individuals who come in contract with program participants.
- Provide the County with requested documentation.

### UAW-LETC Response

- As a union participating employer UAW-LETC must make any/all decisions concerning the review of personnel documentation in concert with the employee's union representation and must therefore consider the personnel records of its employees as private corporate documents. In accordance with the draft review responses, relevant documents from the personnel file as noted (i.e. drivers license, social security card, vehicle insurance and the resume/agency applications) of the specific UAW-LETC employee were provided as requested.

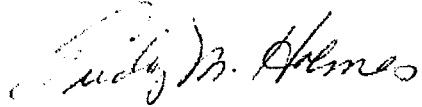
UAW-LETC'S current personnel procedures (for new employees) includes the criminal background review, however, the staff person assigned to this contract has been employed for (10) years. In accordance with recommendations of this monitoring review, we have completed a criminal record clearance on the staff person assigned to this contract.

Documentation of the performance reviews conducted with assigned employee is available for review, inspection and audit as required.

The written responses included in this summary, supports our agency's commitment to comply with all federal, State and/or Los Angeles County agency regulatory requirements. As such, we have addressed the recommendations resulting from the program, fiscal and administrative contract monitoring review.

If you have any questions or require additional information, please feel free to contact Philip Tan, VP/CFO, email: [ptan@letc.com](mailto:ptan@letc.com) or Audrey M. Holmes, VP/COO, email: [audreym@letc.com](mailto:audreym@letc.com) and at (562) 989-7700.

Sincerely,

A handwritten signature in cursive script, appearing to read "Audrey M. Holmes".

Audrey M. Holmes, VP/COO  
UAW-LETC